

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 10, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Thomas Chagnon, Assistant Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Michael Goclowski, Law Warehouse.

EXCUSED: Howard Roundy, Director of Information Technology

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending March 7, 2004 shows retail sales were up almost 7.3%, off-premise sales were up 11.9%, on-premise sales were up 26.1%, and total aggregate sales were up around 11%. The traffic count increased by 3,486, while the average sales ticket increased by \$1.38.

The W-1 Total Weekly Sales report for the same week confirms total sales increased by 11% or \$575,645, and that they also increased for the year by 8.2% or \$20,072,687. Wine sales were up 15.51% or \$379,943 over the same week last year, and were also up 8.6% or \$9,756,761 for the year. Sales of spirits were up for the weekly comparison by a little over 7% or \$195,702, as they were year-to-date by almost 7.9% or \$10,316,126.

B. Budget Reports:

There was nothing significant to report regarding this week's outstanding depletions and post-offs report.

Gift card figures indicate that post-holiday redemptions are now slowing down and returning to normal. Several occurrences have happened where the entire serial number has been erased off of cards, damaging the mag strip. Paymentech is unfamiliar with this happening before. Procedures will be developed to try to prevent this from occurring again.

The meeting with Liberty Mutual and Risk Management scheduled for next week has been postponed until the arrival of the new Human Resources Administrator to allow her an opportunity to attend. Visits to several stores are planned.

Peter Yao has questioned the process by which the e-licensing contract was developed. Craig sent e-mailed an answer back to him, and requested that the contract be allowed to go through. If it is held up, money to fund the project may not be available in July.

There will be a hearing on LSR 3087 at 1:15 p.m. today at the Legislative Office Building. Also, the Commission has three re-classification requests going before Governor and Council this morning. Chairman Maiola and Craig will be in attendance.

The current W-6 Expense Budget Activity Variance Report for the week ending March 9, 2004 shows the year to be at about 69.3% expired, with total expenditures at around 69.61% of the budget. \$300,000 has been added to the workers' compensation account. Several accounts for which transfers will be requested to prevent deficits are Classes 18, 23 and 50. Also, \$8,000 to \$10,000 will be transferred into Class 70 to cover vehicle repairs for Enforcement. Chief Moore commented that there are currently four state cars which will not pass inspection. Class 98 for relocations has about \$76,000 which is unobligated.

Work is being done on the store security contract, and the RFP for this should be ready to be sent out by the end of the week. A pre-bid meeting will be held to answer questions from potential vendors.

Eight interviews will be conducted on Thursday and Friday for the Chief Accountant position. George hopes to have a recommendation to fill this position by next week's meeting.

The Commission is waiting for an approval for transfer from Joe Bouchard of Administrative Service. George mentioned that the IFS replacement contract has been held up and the RFP pulled for the meantime. This should not effect Commission operations.

2. IT Report

There was a failure of the SANS environment, which is the storage area network, on February 28 and 29. Both drives were replaced by Connecticut Valley, with no outages occurring to effect operations.

Tom conducted a Power Point presentation regarding the alternative disaster recovery site at Store #76 in Hampton. This showed blueprints of the second floor conference room and mezzanine areas. It also provided a cost analysis for data hardware, electricity and air-conditioning at a total cost of around \$8,500.00. A monthly telecommunications cost analysis was also shown. It

was moved by Commissioner Maiola, seconded by Commissioner Byrne, that equipment for the recovery site be installed in the mezzanine area of Store #76, Hampton. The motion was unanimously adopted.

Total store sales for the week ending 3/7/04 were up 6.38% or \$253,794.88. There was nothing out of the ordinary to report.

Peter distributed an enhanced photograph of the new potential site in Salem. Commissioner Maiola commented that, in addition to a new lease, a “land swap” would have to be made to accommodate a 14,000 square foot store and 100 parking spaces. Commissioner Byrne felt the need for a tight construction budget and an income statement on potential sales in order to determine how much money needs to be appropriated and how sales will offset these costs. There was some further discussion regarding this.

The lease for the new Seabrook location has been approved and returned by Suzan Lehmann of the Attorney General’s Office. Peter estimated work will begin there by March 15th with a potential opening at the beginning of May. Conversations continue with Hannaford over the Bedford lease. Peter will discuss the development of wine racks at that location with Tom Smith. He also felt that it might be a good idea to place wood racks in Store #49, Plaistow.

The process of taking store inventory will begin at the end of March.

Telxons will be back from repair by the end of this week. Commissioner Byrne asked for a memorandum as to where the contract for the telxons currently stands and why it is being delayed.

There will be a meeting this Thursday concerning the gas lines at the new Keene location. Commissioner Russell commented on some recent occurrences regarding this project. Since the parking lot area has been in current use for 25 years, there has been some discussion as to who is responsible for paying taxes on the land. It is the opinion of Suzan Lehmann that the State (as a sovereign state) is not required to pay these taxes. Her advice was to continue with the project. Commissioner Russell asked Peter to get information ready as to what will be needed for the new store. She also said that, since the land is clay, it will be surcharged and have a slab put down because of the weight of building.

Peter informed the group that a break-in occurred at Store #42 in Meredith this past Saturday night. It appears that a rock was thrown through the window and several bottles of spirits stolen. Chief Moore said that there has been an arrest made in this case.

The shopping plaza where Store #10 in Manchester is located is slated to be torn down and rebuilt. The store will be relocated next to the grocery store, probably some time in the late summer. The biggest cost factor will be for new shelving. Estimated expenses for this project are about \$37,000.

2. Purchasing Report

Any out-of-stock situations are relatively minor at this time. John Bunnell said everything is in good shape going into St. Patrick's Day, which is a peak selling period.

Mike Goclowski gave an overview of the Law's broken package program, with testing about to start on a new report whereby brokers can view damaged goods. Commissioner Byrne felt that all requests for destruction of product should have Commission approval, and asked that this be put in memo form to be brought before the Commission.

3. Merchandising Report

A. SPIRITS:

1) Presidents Day Sale:

The results of the Presidents Day Sale, which took place from February 5 through February 16, 2004, were noted by the Commission to be placed on file.

2) Test Market Products:

a. Test Market Request (Deanston 12-Yr. Old Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./International Beverage Company for a new test market listing for Deanston 12-Year Old Single Malt Scotch, 750ML size (assigned Code #2651), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Arrow Sour Apple Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./David Sherman Corporation for a new test market

listing for Arrow Sour Apple Liqueur, 750ML size (assigned Code #5366), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Belvedere Citrus Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Millennium Import LLC for new test market listings for Belvedere Citrus Vodka, 750ML size (assigned Code #3640) and Belvedere Pomarancza, 750ML size (assigned Code #3641), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results (Codes #2282 & #3647):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a specialty listing for Code #2282, Forty Creek Barrel Canadian Whiskey, 750ML size, as this item has earned the gross profit required for such status at the conclusion of a six-month test market period, and delist Code #3647, Blue Wave Raspberry Vodka, 750ML size, as this item failed to earn the required gross profits for both full distribution and specialty status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Results (Codes #3566, #3532 & #3534):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist Code #3566, Romance Vodka, 750ML size, as this item failed to earn the required gross profits for both full distribution and specialty status at the conclusion of a six-month test market period, and approve specialty listings for Code #3532, Milagro Reposado and Code #3534, Milagro Silver, 750ML sizes, both of which have earned the required gross profit required for such status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Appeals of Delistings:

a. Code #3873, Smirnoff Vanilla, 1.75L:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from United Beverages, Inc./Diageo North America regarding the delisting of Code #3873, Smirnoff Vanilla, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Code #7515, Salvadors Strawberry Margarita, 1.75L:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from United Beverages, Inc./David Sherman Corporation regarding the delisting of Code #7515, Salvadors Strawberry Margarita, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Code #1282, Cecil Aldin 15-Year Old, 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from United Beverages, Inc./International Brands regarding the delisting of Code #1282, Cecil Aldin 15-Year Old, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Code #5259, Paul Mason Mocha Caramel Cream, 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from Horizon Beverage Company/Canandaigua Wine Company regarding the delisting of Code #5259, Paul Mason Mocha Caramel Cream, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Code #3557, Blue Raspberry Vodka, 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission table an appeal from Martignetti

Companies of N.H./Phillips Products Co. regarding the delisting of Code #3557, Blue Raspberry Vodka, 750ML size, until next week's meeting, pending further review. The motion was unanimously adopted.

- f. Code #8618, Cambus Ouzo, 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission consider an appeal from Perfecta Wine Company regarding the delisting of Code #8618, Cambus Ouzo, 750ML size, and grant this product limited distribution in Cluster 1 and 2 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) One Time Buy (Rare Editions of The Classic Malts of Scotland):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Schieffelin & Somerset of a one-time buy on the Rare Editions of The Classic Malts of Scotland, to be distributed to selected high volume stores and transferred to other stores as needed, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Consumer Sweepstakes:

- a. Fleischmann's Vodka, Gin and Preferred Whiskey:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands to conduct a consumer sweepstakes during April 2004 in conjunction with the promotion of Fleischmann's Vodka, Gin and Preferred Whiskey, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 99 Apples, 99 Bananas and 99 Blackberry Schnapps:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands to conduct a consumer sweepstakes during April 2004 in conjunction with the promotion of 99 Apples, 99 Bananas and 99 Blackberry Schnapps, as recommended by Richard

Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

Nicole reported that wine sales in conjunction with the “Uncork the Cash” promotion were going very well. Almost 600 cards were turned in within the first week of the program, and 34,000 bottles of product have been sold, including on and off-premise sales.

1) Proposed Wine Sale for June 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a 10% discount off the purchase of twelve (12) or more bottles of wine during the proposed wine sale for June 2004, beginning June 1 through June 27, 2004, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

2) New Wine Product Listings:

a. Full Distribution (Code #34460):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the full distribution, to be available to all stores if requested, of Code #34460, Dr. Loosen Riesling Dr. “L”, 750ML size, as this item has earned at least \$6,500 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution (Codes #35913, #35914 & #35916):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the full distribution, to be available to all stores if requested, of the following three wine codes, each of which has earned at least \$6,500 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #35913, Stone Cellars Cabernet, Code #35914, Stone Cellars Chardonnay and Code #35916, Stone Cellars Merlot, 1.5L sizes. The motion was unanimously adopted.

3) Close Out (13 items – R.P. Imports):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the close out price reduction and purchase of thirteen (13) wine items from R.P. Imports, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchase of Ravenswood Shiraz:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. of a special purchase on Code #39716, Ravenswood Shiraz Vintners Blend, 750ML size, to be featured on sale during May and June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Rabbit Ridge Grill Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, Inc. to conduct a consumer sweepstakes in conjunction with the promotion of Rabbit Ridge wines during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Wine Delist & Warnings (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve wine delisting and warning notices for fourteen (14) wine items for the twelve-month period ending February 29, 2004, as recommended by Kathleen Hass, Director of Purchasing and Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated Wines for Distribution to Selected Stores (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fourteen (14) allocated wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) “R” Wines for Allocation to Licensees Selected by Broker, and Retail Distribution (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell that the Commission approve two (2) “R” wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Chief Moore requested permission to refurbish the training conference room at the Enforcement Bureau, which would include painting and putting tiles on the floor, at a cost of approximately \$1,000. He asked if there was anything the Commission would like to see there which would make the room more versatile for future use.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated February 25 through March 10, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

